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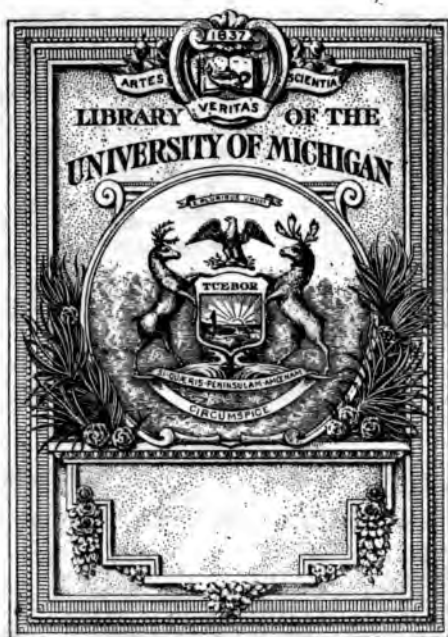
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ECONOMIC MONOGRAPHS. No. XIX.

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INCLUDING A HISTORY OF PAPER MONEY IN THE UNITED STATES,
AND A DISCUSSION OF THE CURRENCY QUESTION IN SOME
OF ITS PHASES,

BY

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NEW YORK:
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AND THE

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It is not of General Jackson as a soldier that I propose to write. The pen of the writer, the tongue of the orator, and the chisel of the sculptor, have all sufficiently celebrated his claims to undying fame in that character. Nor is it my purpose to attempt a biographical sketch of him. I shall confine myself to a view of his civil administration as President of the United States, and to that part of it which concerns his contest with the Bank of the United States. That was no contest between men, or rival factions. It was a struggle between two contending systems; an effort, upon the one hand, to maintain the constitution and to preserve to the people gold and silver, the money of that instrument; upon the other hand, it was an effort to overthrow the constitution, *pro hac vice*, and to substitute for its money a system of paper currency.

The cause of controversy was one fit to engage the attention of statesmen, and the actors in the strife were worthy of the cause. The forces upon either side were

marshalled and led by giants; upon the one side by Webster, Clay, and Calhoun; upon the other by such men as Thomas H. Benton, Silas Wright, and Andrew Jackson himself, *primus inter pares*. It was a contest destined to be forever memorable in the annals of this government, and one which will occupy no mean place in the history of the civilized world.

I shall endeavor to write the history of that contest from its beginning to its final conclusion; and in the course of the narrative I shall attempt to point out certain lessons that it inculcates, which the situation of public affairs at this day may well cause the American public to ponder upon.

Why, since the adoption of the Constitution of the United States, an occasion should ever have arisen in which there could be a serious contest between coin and paper money, is, of itself, a matter calling for explanation.

If anything in respect to that instrument may be regarded as certain, it may be taken to be true that one of the most cherished purposes of its framers and of the people who adopted it was, that there should never again be paper money in the United States. They were all persons who had seen its evils in their worst forms. They had seen the country flooded with paper money, when one hundred dollars would often not buy a bushel of meal. They knew its curses by experience and practice, and they determined that their descend-

ants should never suffer what they had had to endure. Under the articles of confederation the government had power to "emit bills on the credit of the United States." The first draft of the constitution, in enumerating the powers of the United States, provided that it should have power "*to borrow money and emit bills, on the credit of the United States.*" When this clause came up for consideration, Mr. Gouverneur Morris moved to strike out the words: "*and emit bills,*" and was seconded by Mr. Pierce Butler. Mr. Ellsworth, afterwards Chief Justice of the United States, "thought this a favorable moment to shut and bar the door against paper money. The mischiefs of the various experiments which had been made were now fresh in the public mind, and had excited the disgust of all the respectable part of America. By withholding the power from the new government, more friends of influence would be gained to it than by almost anything else." Mr. Wilson said: "It will have a most salutary influence upon the credit of the United States to remove the possibility of paper money. This expedient can never succeed while its mischiefs are remembered, and as long as it can be resorted to it will be a bar to other resources." Mr. Butler remarked that paper was a legal tender in no country in Europe. He was urgent for disarming the government of such a power. Mr. Read thought the words, if not struck out, would be as alarming as the mark of the beast in Revelations.

Mr. Langdon had rather reject the whole plan than retain the three words: "*and emit bills.*"

On taking the vote, the sense of the convention was almost unanimous against the proposition. Nine States voted to strike out the words; two to retain them. The constitution was framed so as to prevent the possibility of paper money, as they thought. They deprived the government of the power which it had theretofore had to issue paper money; they struck out of the projected constitution the clause which had crept into it, copied from the articles of confederation, conferring that power upon the government that they were about to create; they provided that it should have no powers save those that were expressly granted to it, and they expressly prohibited the States from issuing paper money. They farther gave to the Federal government all the power in respect to the currency which they thought it proper that it should have, in providing that it should have power "to coin money, regulate the value thereof, and of foreign coin." One part of this grant of power, in one of its most important senses, has, in latter times, come to be wholly ignored. It is the words "regulate the value thereof, *and of foreign coin.*"

When the constitution was framed and adopted we had no mint; and, consequently, there were no coins of the United States. The only gold and silver that we had were the coins of foreign nations, which the people were in the habit of using in the transaction of the

daily affairs of life. The framers of the constitution intended that foreign coins should continue to circulate here as a part of the money of the country, and they intended that Congress, under this power, should fix the relative value at which all foreign coins brought here should be taken by the people. This was to be the land of the emigrant, the home of the oppressed of all nations; and each, bringing not only his customs and his religion, in both of which he was to be protected, but his money, also, was to have the same liberty and equality in circulating that as he was to have in worshipping God in his own way; and this was not alone for the benefit of the immigrant, but for the common benefit of the Republic. As their persons were to give us population, so was the coin that they brought with them to aid in furnishing us currency. The first Congress, composed of the men who had framed and adopted the constitution, at once proceeded to legislate in accordance with what they well knew to be the intention of this provision. It provided at once for receiving foreign coins in payment of dues to the government. In a speech in the Senate of the United States, in 1834, Colonel Benton said: "He had seen no less than nine statutes passed in the first four years of the action of this Federal government, all enacted for the purpose of regulating the value, protecting the purity, and promoting the circulation of these coins. Not only the well known coins of the principal nations were provided

for in these statutes, but the coins of all the nations with whom we traded, how rare or small might be the coin, or how remote or inconsiderable might be the nation. By a general provision of the act of 1789, the gold coins of all nations which equalled those of England, France, Spain, and Portugal in fineness, were to be current at eighty-nine cents the pennyweight; and the silver coins of all nations, which equalled the Spanish dollar in fineness, were to be current at 111 the ounce. Under these general provisions, a great influx of the precious metals took place; doubloons, guineas, half-joes, were the common and familiar currency of farmers and laborers, as well as of merchants and traders. Every substantial citizen then kept in his house a pair of small scales to weigh gold, which are now used by his posterity to weigh physic."*

The same Senator stated also in a speech delivered by him in the Senate of the United States in 1842, that he had asked the venerable Nathaniel Macon, a very

* A well-to-do English farmer named Parkinson came to this country in 1798 to engage in the business of agriculture. After farming here in the neighborhood of Mt. Vernon he became disgusted and returned to England. Upon returning he published a work called "Parkinson's Tour in America," in which he gave an account of his sojourn here. One anecdote which he relates of General Washington illustrates the text, and is interesting in itself. He says: "I was told by General Stone that he was travelling with his family in his carriage across the country, and, arriving at a ferry belonging to General Washington, he offered the ferryman a moidore. The man said, 'I cannot take it.' The General asked, 'Why, John?' He replied, 'I am only a servant to General Washington; and I have no weights to weigh it with; and the General will weigh it; and if it should not be weight, he will not only make me the loser, but he will be angry with me.' 'Well, John, you must take it; and I will lose

parens patriæ, how long after the depreciated paper of the Revolution ceased to circulate was it before specie re-appeared? and that his answer was: "No time at all."

The same Congress, at its very first session, further carrying out what the members well knew to be the purpose of the constitution, provided, in the first act passed by it for the collection of duties on imports, that those duties should be paid "*in gold and silver only*." The first act for the sale of public lands required them to be paid for in "*specie*."

When the facts are such as these; when the spirit and genius of the people who formed our government were both so entirely opposed to any system of paper money; when they took such effectual precautions, as they thought, in the constitution they framed, and in the laws passed to carry it into effect, to exclude all possibility of paper money, how did the desperate struggle between coin and paper money ever come to arise? Our forefathers, it is true, ordained specie as the currency of the country, and forbade the United States or the State governments to issue paper money, but, whilst they thought they had guarded every point, they had in reality left the door wide open in permit-

three pence in its value.' The ferryman did so; and he carried it to General Washington on the Saturday night following. The General weighed it; and it was not weight; it wanted three half-pence; General Washington carefully lapped up the three half-pence in a piece of paper, and directed it to General Stone, which he received from the ferryman on his return." This work will be found reviewed in the *Edinburgh Review* for Oct., 1805, vol. 7, p. 40.

ting both Congress and the State Legislatures to charter incorporated companies, which companies were not forbidden to issue a paper currency; and Congress, availing itself of its power to charter corporations, chartered in succession the two banks of the United States; and it is in the history of those two institutions that the answer to this question, How did this struggle come about? is to be found.

- ✓ In the year 1790, the United States having assumed the war debts of the States, and owing a considerable debt besides of its own, found itself considerably embarrassed to raise sufficient revenue to pay its current expenses and interest upon its debt. The Congress having called upon the Secretary of the Treasury, at that time General Alexander Hamilton, for suggestions by which the difficulty might be met, he made an elaborate report upon the finances, suggesting ways for raising the deficiencies. Amongst them was the plan of a national bank. He made a special report upon this subject, which contains an elaborate argument to show that the trading capital of a country is greatly increased by having a paper currency issued and circulated by a bank throughout its limits, in the proportion of two or three dollars of the paper promises to each one of the coin dollars that the bank has to perform the promises with. (And it may as well be noted here, that this argument of General Hamilton contains the germ of all the vices and errors

of what is called paper currency—its very basis and corner-stone being the fallacy that the pretended existence of three dollars is the existence of three dollars.)

His theory was that the greatly increased quantity of capital would cause proportionably increased subjects from which revenue could be derived, besides stimulating trade to much greater activity; a theory, the bottom of which is false pretence.

Congress, in February, 1791, chartered a bank in entire conformity almost to General Hamilton's suggestions, but not without great opposition in the House of Representatives. Its charter was to last twenty years, till 1811; its capital was to be ten millions, and its notes were to be receivable in payment of dues to the government of the United States. This provision of the charter was the noxious source of all the evils that paper money has since brought upon the country. When the government took the notes of the Bank in payment of what was due to it, it of course had to pay them out again to those whom it owed, and in this way, in the course of time, these notes came to be stimulated into a general circulation, banishing coin, as a matter of course, wherever they established themselves upon a solid footing. The government not only aided the Bank in this way to get its notes into general circulation, but it rendered it most material service in two other ways, one of which completely abrogated the spirit of a most important provision of

the constitution. The first was by putting an underestimate upon the value of gold. In the same famous report of General Hamilton's, he recommended the establishment of a national mint, and that the relative value of gold and silver should be fixed at fifteen to one. Congress adopted both his recommendations. This was an undervaluation of gold, its true value at that time being nearly sixteen to one. As a matter of course this had an inevitable tendency to drive gold out of circulation, a tendency somewhat retarded for a time, by the fact that the Bank, during a considerable period, issued no note of a denomination smaller than ten dollars.

The second process by which the government assisted the Bank in pressing its notes into circulation was by Congress repealing all the laws passed for the purpose of making foreign coins part of the currency of the land. The government having struck no coins, as a matter of course all the hard money in circulation was the coins of foreign nations, and if they were driven out, a vacuum was created for the notes of the Bank to push themselves into. The mint went into operation in 1794; foreign coins were to cease to be a legal tender in 1797, but at the end of that time the contingencies on which General Hamilton had calculated to enable the country to do without foreign coin had not occurred; the substitutes had not appeared; the mint had not supplied the adequate quantity of domestic

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coin, nor had the circulation of bank notes become sufficiently familiar to the people to supersede gold. The law for the exclusion of foreign coins was found to be impracticable, and a suspension of it for three years was enacted. These suspensions were continued for three years at a time, six several times, and it was only at the expiration of the last that the country had become so saturated with paper currency that it was thought safe to do without them.

Through these means was that repugnance to all systems of paper money which the American people had had ground into their minds by the most instructive of all lessons, the lesson of bitter experience, overcome. General Hamilton, enamored of the system which Sir Robert Walpole's vicious policy had fastened upon Great Britain, and under which she was having a vast load of debt insidiously piled up upon her, set the influence of his great talents and commanding character to work in its behalf here; and by persuading Congress into pursuing his recommendations, he succeeded, after a violent struggle, in educating a large part of the public mind into a belief that a paper promise is the same, or a better thing, than a piece of gold, which the paper promises to deliver. And I wish it to be specially noted that his entire scheme was at bottom a system of inflation. He proposed to increase the revenues by increasing taxable values. But it was not a scheme to make property more valuable in point of fact; it

was only, as the children say, "to make believe;" to declare that a house worth one thousand dollars was suddenly become worth two thousand dollars, and to make the house pay a tax upon a two thousand dollar valuation, in something which was really worth less than half of what it purported to be worth; a sham, a pretence, and a fraud in all its parts.

The charter of this institution, the first Bank of the United States, lasted until 1811. The Bank then came forward and asked to have its charter extended, but the bill for it was defeated in the Senate by the casting vote of the President. It went into liquidation and was wound up. But in permitting the charter of this Bank to expire, without taking any measures directed towards reviving the gold currency which it had expelled, Congress made a fatal oversight, and paved the way for the great distress brought upon the country by the institutions of this sort chartered by the States. Seeing the advantages to a bank in being able to issue paper money many times in excess of the money that it actually possessed, many of these institutions sprung up all over the land, chartered by the States. They did a flourishing business as long as they were able to delude people into the belief that three paper promises to pay a dollar each (each one of which contains an engagement to deliver a gold dollar), are equal in value to three gold dollars. But, as must always happen in such cases, a knowledge of the true state of

affairs filtrated by degrees through the community, and then demand came to be made upon them for performance of their promises. Of course, they were unable to keep them. Consequently, there came about, in the year 1814, a general repudiation by them of their contracts, under the elegant and high-sounding phrase of "a suspension of specie payments." This condition of things lasted until 1816, the country cursed in the meantime with all the evils of depreciated paper money, when Congress chartered the second Bank of the United States.*

This Bank was to have a capital of thirty-five millions of dollars; it was to establish branch Banks in every State the Legislature of which called for it; its notes were to be receivable in payment of all dues to the government of the United States; the public monies were to be deposited in it or its branches unless the Secretary of the Treasury should, at any time, otherwise direct; and its charter was to continue until March, 1836, with a continued existence for two years longer, for the purpose only of winding up its affairs. There were to be twenty-five directors, five of whom were to be appointed by the President, with the con-

* In writing the history of the contest between General Jackson and the second Bank of the United States, I have made very free use of *Benton's Thirty Years in the United States Senate*, one of the most interesting and valuable pieces of political history in any language. I have not referred particularly to his work wherever I have used it, and I make this general acknowledgment that it may not be thought that I have intended to appropriate the results of his labors as work of my own.

sent of the Senate, upon the part of the government.

This charter was the crowning act in the drama. The dragon's teeth had been sown when the first Bank of the United States was chartered, when a system was organized for forcing paper upon the people and familiarizing them with its deceptions. They were nurtured during the period of its existence, and grew up to full-grown armed men under the shadow of this second Bank of the United States. The old landmarks were overthrown, the fatal passion for paper money had been planted, of which it was not to be in the power of leeches or nostrums to cure the victim. Experience, bitter and dire experience alone, is the only remedy that acts upon this disease.

The Bank very soon organized, and stretched its arms out into all the States of the Union. It soon restored specie payments, and financial matters quickly got into a state of smoothness on the outside. The large sums of money annually collected by the government were kept on deposit in it and its branches, furnishing a very large fund from which to earn dividends. It had a voyage of very great prosperity, molested by none, levying tribute upon all, until Andrew Jackson's first election, in 1828. But from the time he took his seat in the White House the Bank received notice of breakers ahead. In his first annual message to Congress, he called attention to the fact that the expiration of the Bank's charter was approaching, and that the subject

of its re-charter might very well begin to engage attention; and he remarked that very many of the best citizens condemned it, as unwarranted by the constitution, and noxious in its principles and tendencies.

At this time (1829) General Jackson had not begun to entertain the idea of reviving the gold and silver currency, now extinct under the influence of Bank paper for twenty or more years, or of an independent treasury, in which the Government should keep its own funds. He therefore suggested the inquiry in this message, that *if* such an institution should be thought necessary, whether one could not be framed, based upon the credit of the Government and its revenues, which would avoid the constitutional difficulties, and at the same time secure all the advantages which were expected to flow from the existing Bank. This was at once seized on by the Bank and its friends. Great clamor was raised over it; it was at once stigmatized as a thousand times more dangerous than the existing Bank. Committees of both houses enquired and reported that the existing institution was the safest and best that could be devised, and strongly presenting it for a renewal of its charter. These reports were printed at the expense of the Bank, and circulated all over the country, without regard to number or cost. Newspapers in every part of the Union, in the pay of the Bank, took them up, puffed them, lauded the Bank, and heaped obloquy

upon General Jackson. The Bank allied itself to the political party opposed to the Administration, and gave it in every quarter of the Union the aid and active assistance of its great influence; and with its moneyed and political power, and numerous interested affiliations, its control over other banks, brokers and money-dealers, it was truly a power, and a great one. In answer to a question put by General Smith, of Maryland, Chairman of the Senate finance committee, Mr. Biddle, the President, said that there were few State banks which the Bank of the United States could not crush if it chose to exert its power. This was said as a way of displaying its generosity and magnanimity. But it proved too much; it alarmed the public mind. People began at once to ask themselves if it could be wise for such a power as this to be deposited in the hands of any man or corporation. From this time the battle was joined between the President and the Bank. The President, soon enlarging his view of the subject, and seeing that the money of the country ought to be the money of the constitution, and that the government ought to be the keeper of its own funds, determined to break down and destroy this pestiferous engine of evil, and to that end he set his powerful mind and indomitable will.

The President's stand electrified the old Jeffersonian democracy of the country. For so long had they seen the government converted under the word "necessary,"

at the end of the clause granting its powers to Congress, from a plain, economical government of limited powers formed to accomplish specified ends, into a splendid paternal government, undertaking to care for the people in all their ordinary affairs of intercourse, that they had begun to despair of ever seeing the constitution administered in its true intent and meaning. But now they felt as if they were to see the constitution restored before they died—the young, as if they were summoned to the reconstruction of the work of their fathers. It was evident a great contest was coming on, and the odds entirely against the President. On the one side, the undivided phalanx of the Federal party (for they had not then taken the name of Whig); a large part of the Democratic party, yielding to precedent and judicial decision; the Bank itself, with its colossal money power; its arms in every State by means of branches; its power over the State banks; its power over the business community, over public men who should become its debtors or retainers; its organization under a single head, issuing its orders in secret, to be obeyed in all places and by all subordinates at the same moment. Such was the formidable array upon one side; on the other side, a divided Democratic party, disheartened by division, with nothing to rely upon but the goodness of their cause, the *prestige* of Jackson's name, and the presidential power—good against anything less than two-thirds of Congress on the final question of re-charter; but with

the risk to run of his non-election before the final question came on.

The charter of the Bank did not expire until 1836; there was, therefore, no necessity for an application for a new charter until some time approaching that year. But a presidential election was to come on in the fall of 1832. The bank was not strong enough in either house of Congress to carry a charter over the presidential veto. It saw, therefore, that it must either elect a President favorable to a re-charter, or, before the year 1836, it must work up such a condition of public sentiment as would give it two-thirds of the members of both houses. Accordingly, after much deliberation and caucussing between the heads of the anti-administration party and the managers of the Bank and its party, it was determined to bring forward its application for a re-charter in the winter and spring of 1832, to drive the President upon the *veto* power, rendering him odious if he used it, and disgracing him (after what he had said) if he did not. The application for the re-charter was presented in the Senate in January, 1832. Though the majority of that body and of the other house also was favorable to a re-charter, yet there was a strong party in both houses, strong in point of numbers, as well as in the great ability of its members, opposed to the re-charter. This party determined, in order that the public mind might receive preparation for the veto, that the re-charter, which it was evident would pass, should meet

with serious opposition at every stage, with a full exposure of the objections to the institution. The most formidable opposition came in the form of applications for committees to examine into the condition of the Bank. If the Bank refused to submit to a full and complete examination, they had the advantage of claiming that this refusal was dictated by a rotten condition; if it submitted to it, its opponents felt certain they would be able to show that it was entitled to no confidence. The first motion for a committee of examination was made in the House. The friends of the Bank opposed it violently and bitterly, thereby hurting themselves and the institution. They succeeded, however, though yielding to the appointment of the committee, in so restricting the objects of the investigation as to make it practically of little comparative avail. The bill for the re-charter passed the Senate by a vote of 28 to 20, and passed the House by a vote of 106 to 84. It was sent to the President and immediately vetoed by him.

This result had been anticipated by every one, and therefore gave surprise to none. But the appearance of the veto message was the signal for the delivery of the great speeches of the advocates of the Bank. Thus far they had held back, refraining from general debate, and limiting themselves to brief answers to current objections. Now they came forth in all their strength, in speeches elaborate and studied, and covering the

whole ground of constitutionality and expediency. Mr. Webster, Mr. Clay, and others of great reputation thus entered the lists. The distress and disaster that was to overwhelm the country were painted in the most terrifying colors. It was determined that the issue should be transferred to the people in the ensuing elections, and these speeches were a part of the plan.

And now, from one border of the Union to the other, commenced a howl such as could only be excited by influences like those that the Bank could put in motion. The great majority of the newspapers harped incessantly upon the veto and the utter destruction of business that must ensue. It was predicted that merchants would fail; that manufactories must close; that the ship-building interests would perish; that the people would have no money. Agitation was kept up and alarm spread until November, when, to the amazement of the Bank and its friends, General Jackson was elected over Mr. Clay by a great majority, Mr. Clay receiving only 49 electoral votes out of 288, and the complexion of the House was completely changed, a majority supporting the President being returned. The people were not to be led by the ear. They had examined into the state of affairs, they had sat in judgment upon the Bank's case, and notwithstanding the fuss and pretension with which it had sought to conceal the issue, they had condemned it.

In the summer of 1833, the directors of the Bank

upon the part of the government reported to the President that the Bank had been taking an active part in attempting to control the elections, and that by a formal resolution of its board of directors it had placed its funds at the disposal of the President of the Bank to be employed by him in sustaining the political power of the Bank. It being established to the satisfaction of the President that the Bank of the United States was converted into a permanent electioneering machine; that it was endeavoring, amongst other ways, to control public opinion through the distresses of some and the fears of others; that by a curtailment of its accommodations, more rapid than any emergency required, and even while it retained specie to an almost unprecedented amount in its vaults, it was attempting to produce great embarrassment in one portion of the community, while through presses known to have been sustained by its money it was attempting, by unfounded alarms, to create a panic in all, he took one of those bold resolves, characteristic of the man, and determined to take from it whatever means of prosecuting its unhallowed purposes it derived from the government. He accordingly ordered the famous removal of the deposits.

This act caused a greater sensation in America than any that happened between the signing of peace with Great Britain and the secession of the Southern States. Every newspaper whose columns could be controlled by the money of the Bank was filled with denunciations

of the President, and his defiance of the constitution and the laws, as it was called. Every demagogue made it the hobby which he hoped to ride into place. Even Senators and Representatives, whose names belong to the history of the country, joined in the clamor and denounced the President as a usurper and a traitor.

The President having resolved upon removing the government deposits, conferred with his cabinet upon the subject. There were only two members of it that concurred with him, Mr. Roger B. Taney, Attorney-General, and Mr. Kendall. The Secretary of the Treasury, Mr. Wm. J. Duane, upon whom alone was conferred by law the power to remove them, refused to do it. General Jackson informed him that his resignation would be accepted. It was handed in, and Mr. Taney was at once appointed Secretary *ad interim*, in his place, who immediately issued the order. The President had drawn up a paper which he read to the cabinet, giving his reasons for the step he was about to take. This paper was published in the *Globe* newspaper. Immediately upon its publication, the Bank took it into consideration in all the forms of a co-ordinate department of the government. It summoned a meeting of the directors; appointed a committee; referred the President's "paper" to it; ordered it to report; held another meeting to receive the report; adopted it and ordered five thousand copies of the report to be printed. The insolence and presumption of

this report are almost incredible. Amongst other things, it says: "To justify this measure is the purpose of the paper signed Andrew Jackson. Of the paper and of the individual who has signed it the committee find it difficult to speak with the plainness by which alone such a document, from such a source, should be described, without wounding their own self-respect." This report was sent to Congress as a memorial. The Senate, when it met, promptly rejected Mr. Taney's nomination as Secretary of the Treasury, he having acted from the time of his appointment as Secretary *ad interim*. But the thing growing out of the removal of the deposits which will live longest and be most censured, is the act of the Senate of the United States. Forgetting that, by the constitution, it is not only a branch of the legislative department, but a high court for the trial of impeachments, that body passed the following resolution:

"Resolved, That the President, in the late executive proceedings in relation to the public revenue, has assumed upon himself authority and power not conferred by the constitution and laws, but in abrogation of both."

This resolution, containing matter which, if true, certainly subjected the President to liability to impeachment and condemnation by the Senate, was debated and resolved upon by it without notice to the President, and without any opportunity on his part to appear and make defence. In other words, the Senate,

the body appointed by the constitution as the court to try the President for just what the resolution charged on him, tried him on that charge, in his absence, and without any opportunity upon his part to justify himself, and show that he ought not to be convicted. The state of party feeling at the time may be judged of by this act. How the bigotry of party or the zeal of faction could have ever brought the Senate to the passage of this resolution, it is almost impossible to imagine now. The charter of the Bank expressly provided that the government money should be deposited in the Bank of the United States, unless the Secretary of the Treasury should at any time otherwise direct; thus expressly conferring the power that was exercised.

The apologists of the Bank of the United States have always claimed that it was this removal of the government's deposits which ultimately broke it. It is a misnomer to speak of this transaction as a removal of the government's deposits. No deposits were removed. The order was that no more government money should be deposited in it or its branches, designating certain State Banks as government depositories, and leaving the government money at that time on deposit with the Bank of the United States, where it was, to be drawn out as occasion required. And it retained a very large sum of government money on deposit with it for a long time after this.

This session, the session of 1833, was known at the

time as the "panic" session. The Bank was still a prodigious power, and it was allied to and supported by the great Whig party, with Henry Clay in its lead. It was in no humor, therefore, to abandon the fight, but it determined by the use of its great money power, in aid of its political associates, to extort from Congress a renewal of its charter. Its plan of campaign was, by contracting circulation, calling in its loans, and discontinuing future loans at the mother Bank, to produce as much disaster and distress as possible, and to keep the ears of Congress constantly harrassed with memorials from every quarter of the Union where it had influence enough to get them signed, reciting in the most affecting manner the ruin that the veto and the removal of the deposits had brought on the country. Its movements were directed especially against business communities, and establishments employing a great many operatives, so as to throw out of employment as many working men as possible. One loan of \$100,000 to a single distress-agitator was detected, and \$1,100,000 was discovered to have been put with a single broker, to be employed in making panic and distress.

The plan was fully carried out, according to its design. Wherever the Bank through its manifold agencies could cause a disaster, the disaster was caused. Wherever, by uniting its clap-trap with the wails of those it had designedly ruined, it could get memorials signed, they were signed. These memorials were pre-

sented in Congress by the first men in the nation; in the Senate by Webster, Clay, and Calhoun, introduced by speeches in which all the arts of the orator were drawn on to paint the wretchedness of a ruined country. In addition to all its other sources of power, the cause of the Bank received incalculable assistance from the coalition of these three great men. Each one was an aspirant for the presidency, and upon the Bank's cause and paper money, each found a common ground upon which all three could stand to meet and oppose Jackson, the great enemy of both those things.

All the distress movements of the Bank were but a repetition, with a change of names and dates, of what had taken place in 1811, when the charter of the first Bank was about to expire, and many persons were living who could testify to it, and the records of Congress showed the counterparts to all the memorials that were presented. This fact did not escape the Bank's adversaries, and they made good use of it. In the session of 1834, the House of Representatives appointed a committee, of which Mr. Francis Thomas, of Maryland, was chairman, to enquire into the cause of the distress that was represented to exist—whether the Bank had been instrumental in producing it; whether the Bank charter had been violated, and whether the Bank had used its money to control the elections. The report of this committee is an instructive document. It showed what a sham all the fuss about distress and hard times was;

but as for investigating the Bank, it had as well have attempted to find the North Pole. The Bank set it at open defiance, and this effort, like previous ones, utterly failed. Shortly afterwards the Secretary of the Treasury made a report to Congress under a call from that body, upon the financial condition of the country, in which he showed that an unusual degree of prosperity existed, and that the distress complained of was imaginary, except in those places where the Bank of the United States had been able to create it.

The battle had now been fought and won. It is true the enemy had not yet laid down his arms, and that he continued his fight for several years to come, the history of which it will be necessary to trace in order that the view of the subject may be complete. But all men could see that the hydra was crushed, and that its future efforts were destined to be but the convulsive struggles of an expiring power. General Jackson stood before the country cursed by the Bank and its retainers, but adored by the people as the defender and saviour of the constitution. In the spring of 1837 he retired to his home at the Hermitage, carrying with him into his retirement the hearts of the people to a degree that no man, since Washington, had possessed them, and enjoying a name and reputation, great in his own day, but, unlike that of many other distinguished men, growing and destined to grow greater and brighter as the years roll on.

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Though not essential to the subject, it would yet be hardly just to it to pass wholly by a memorable scene to which this contest gave rise. When the Senate had passed the resolution of censure for the removal of the deposits already quoted, General Jackson sent to that body a message in the nature of a protest, in which he pointed out to it that its resolution, not being intended for the concurrence of the other house, was mere *brutum fulmen*, unwarranted by the constitution, and, therefore, prohibited by it, and that it was in substance a trial and judgment of him without any opportunity on his part to make defence.

The Senate voted the protest to be a breach of its privileges, and refused to receive it. When the motion to reject the protest came up, Senator Thomas H. Benton, thinking this a proper time to give notice of a motion that he had resolved on without conference or consultation with any one, stood up and moved the Senate to expunge from its journal the resolution of censure. Remembering the famous case of the Middlesex election, in which, after fourteen annual renewals of the motion, the House of Commons of Great Britain was finally compelled by the voice of the people to expunge from its journal the resolution expelling John Wilkes, and declaring him incapable of holding a seat in that body, he pledged himself to renew his motion annually, from that time forward, at the beginning of each session of the Senate, until it should result either

in the resolution being expunged, or in his own political death. Of course, his motion to expunge was voted down; but he faithfully kept his word. He renewed it at the beginning of every successive session. Presently the people began to take it up. General Jackson and his reputation were dear to their hearts. They felt that he had been outraged and wronged. First one Legislature and then another acted, instructing their Senators to vote for the expurgation. Some Senators resigned rather than obey; the terms of others expired and their places were filled by persons favorable to the motion. At last, in the very end of the President's term, a majority of the Senate was prepared to vote for the motion. These held a meeting and determined upon their plan of action. They agreed that they would prevent an adjournment of the Senate on the next day until the motion was voted on. The motion was made, and the debate dragged along without arousing special interest, the opponents not dreaming that the President's friends were serious in their intention to force a vote before adjournment. Rounds of beef, cold turkey, salads, wines, were prepared and placed in a room adjoining the Senate chamber, to which the adversaries of the Administration were invited as well as its friends. Toward midnight the leaders of the Bank party began to see that the fatal hour was approaching. Then Mr. Webster rose, and in his grandest and most sonorous periods he in-

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veighed against the breach that was about to be made in the constitution. Mr. Clay, raging like a caged lion, thundered forth denunciations till the halls rang again. It was all to no purpose. The resolution of censure was doomed. The President's friends sat mute and immovable, waiting until the opposition's storm should have spent its impotent force. At last the long-expected moment arrived. The journal of the Senate was brought in, and in the presence of the assembled Senate of the United States, and of a vast concourse of people filling every inch of standing-room, the Secretary of the Senate drew a large, broad black line around the resolution, and wrote across its face, in large letters, these words: "Expunged by order of the Senate, this 16th day of Jan'y, 1837." Profound stillness reigned in the hall until the moment when execution was about to be done upon the journal. Then a party of the Bank's friends, who had grouped themselves together in the gallery immediately near Senator Benton's seat, commenced to hiss. This was no new thing. Throughout all the many debates that had taken place the Bank had not hesitated to fill the galleries with its retainers to manifest approbation when its friends spoke, and disapprobation when its enemies spoke. It had many times attempted to intimidate and overawe the Senate of the United States. When this disturbance took place, the President of the Senate ordered the galleries to be cleared. Senator Ben-

ton rose and said he hoped this would not be done, as it would involve the innocent in the punishment of the guilty; that the disturbance was caused by a party of Bank ruffians, and he pointed out one whom he had seen to hiss. This man was seized by the Sergeant-at-arms and brought to the bar of the Senate. The ceremony then proceeded without interruption. It was a moment of grand triumph, a triumph of law, and of right, and of justice, over bigotry and blind partisan zeal. Senator Benton may be pardoned the exulting peroration with which he closed his speech: "And now, sir," said he, "I finish the task which three years ago I imposed upon myself. Solitary and alone, and amidst the jeers and taunts of my opponents, I put this ball in motion. The people have taken it up and rolled it forward, and I am no longer anything but a unit in the vast mass which now propels it. In the name of that mass I speak. I demand the execution of the edict of the people; I demand the expurgation of that sentence which the voice of a few Senators, and the power of their confederate, the Bank of the United States, has caused to be placed on the journal of the Senate; and which the voice of millions of free-men has ordered to be expunged from it."

Before his death, General Jackson had the additional gratification of having the people to force the government to right him in another matter in which he had been greatly wronged, but to which he had submitted

with that heroic stoicism characteristic of the man. After he had gained over the British at New Orleans the most remarkable of recorded victories, and while he was defending it against them, he proclaimed martial law in the city. In the winter of 1814-'15 there appeared an article in one of the New Orleans papers attacking him in the grossest and most violent manner for keeping up this state of martial law, and calculated to produce great insubordination in his already disaffected command. He demanded to know the author of the article, and one Louallier, a member of the general assembly, was given up. The General had him arrested and confined. Judge Hall, of the United States district court, issued a writ of *habeas corpus* to release him. Jackson ordered the Judge out of the city, and sent a guard to conduct him out. All this took place on the 10th and 11th of March. On the 13th authentic news of the peace arrived. Judge Hall returned to the city and issued a rule requiring the general to show cause why he should not be attached for contempt. He appeared and showed for cause the actual condition in which he was situated and the military necessity that existed requiring him to act as he had done. The Judge imposed a fine of \$1,000 upon him. He at once sent an aid to his quarters for the money, being determined to pay it before he left the court-room. In the meantime the citizens, who were outraged at the Judge's conduct, and from whom Jackson had to pro-

tect him, offered to pay the fine. He would not permit it, but paid it himself. The ladies of the city afterwards raised the amount and tendered it to him, but he would not receive it, and advised them to apply it to the relief of the widows and orphans of those who had fallen in the fight. He protested against the Judge's order at the time, and was always afterwards stung by it because it involved his conviction of a disregard of the laws of his country. Whilst he was in public life he never would countenance any effort to refund him the money. But in the year 1843, after he had gone into retirement, Congress refunded him every dollar of his fine and interest, in a bill which relieved him from every imputation of an unlawful act.

Those who fought and conquered the first Bank of the United States made the fatal mistake of providing no substitute for the paper currency, with which it had permeated the land. Those who fought and overcame the second Bank of the United States avoided the blunder which their predecessors had made. They provided for reviving the gold currency, by equalizing the values of the gold coins and the silver coins; they provided that the Government dues should be paid in coin alone, and they created a Treasury and sub-treasuries of the United States in which the Government should keep its own funds, and they provided for mints at various points in the country. It was estimated that the specie in the country increased be-

tween 1832 and 1838 from about thirty millions to about one hundred millions. But there are, even to this day, partisans of the Bank of the United States who attribute the prosperity that ultimately came to the country, to that institution and the influence that it exercised upon public affairs; people, like the foolish women of Havre, who, after General Faidherbe had, by his masterly dispositions and stubborn fighting, saved that city from what seemed its inevitable occupation by the Prussians, built a gigantic statue to the Holy Virgin to testify their gratitude to her for the miraculous salvation that she had brought to them; Faidherbe being never once thought of or mentioned.

General Jackson's second term expired on the 3d of March, 1837. Martin Van Buren, who had been Secretary of State under his first administration, and Vice-President under his second, and who was known to be in full sympathy and accord with him upon all matters of public concern, and especially in regard to the Bank of the United States, took his seat in the White House on the next day.

The rage for paper money was now at its height, and the catastrophe which it must always bring was at hand. The seeds sown by General Hamilton had borne their legitimate fruit. State banks of issue, chartered by the Legislatures of the different States, had sprung up at every cross-roads all over the Union. Perceiving how easy it was to swindle and commit larceny under the

pleasing and bewildering phrase, "issuing paper currency," whoever could raise capital enough to buy a sufficient quantity of lamp-black and rags, procured a charter for a State bank, and commenced the profitable business of printing and circulating paper money. That great red harlot, the Bank of the United States, was crippled, but she was not dead yet; nor had the hope of forcing Congress to re-charter and re-establish her as the money power of the land deserted her. Finding that she would be unable to force a re-charter before the expiration of her charter in 1836, in that year she transferred herself over, body and breeches, into the Pennsylvania Bank of the United States, under a charter granted by the Legislature of Pennsylvania. This metempsychosis was curious and interesting enough to deserve a passing notice.

On the 19th of January, 1836, the committee of the House of Representatives of Pennsylvania on "*inland navigation and internal improvement*," reported a bill, the title of which was, "*An act to repeal the State tax, and to continue the improvement of the State by railroads and canals, and for other purposes.*" This bill had a colossal tail appended to it, intended to accomplish those "other purposes," which was a full charter for the Bank of the United States. When this bill made its appearance it excited a degree of astonishment amongst those who had not been prepared for it, which cannot be readily imagined. All the measures necessary to its

passage had been taken beforehand, however, and that bribery of members constituted a large part of those preparations is no longer open to doubt. But such a hub-bub was created that Mr. Biddle, the president, felt himself called on to make some sort of public statement of the part which the Bank had in it. He accordingly published a letter, in which he attributed the measure, so far as he had moved in it, to a "*formal application on the part of the Legislature to know from him on what terms the expiring bank would RECEIVE a charter from it.*" When this "formal application on the part of the Legislature" was looked into, it was found that two good-natured members, at the urgent solicitation of some of the Bank's retainers, had been induced to write to Mr. Biddle, making the inquiry. The bill, however, as the Bank had taken effectual measures for, passed, and the great National Bank of the United States, transmigrated into a local bank of Pennsylvania, and all this because it was rotten to the core, and could not wind up.

In the spring of 1837, soon after Mr. Van Buren's administration had commenced, the catastrophe of which General Hamilton had sown the seeds in 1790 occurred. On the morning of May the 10th, by one concerted movement, all the banks of the city of New York, which banks gave the law to the rest of the Union, suspended specie payments, as it is called; that is, repudiated all their obligations. All the other banks


in the Union quickly followed their lead, the Pennsylvania Bank of the United States affecting to resist it, but soon falling into line with the others. The way in which the suspension of the New York banks operated upon all the other banks in the Union, so as to force their suspension, is well explained by Mr. Van Buren, in his first message to the twenty-sixth Congress, in 1839.

It has been charged, and with great show of reason, that the suspension of specie payments at this time was deliberately contrived and brought about by the Bank of the United States, as part of its general programme to create all the distress that it could, in order thereby to extort from Congress a re-charter. It was certainly not too good to do so, and in the year 1841, just before it finally expired, it is proved to have attempted to create a general suspension, by forcing the banks of the city of New York to suspend. The manner of this attempt was afterwards related by its cashier. It consisted in selling bills in unlimited quantities on Paris,—at this time in great demand,—where it had not a cent to meet them, and drawing the coin with the proceeds of these sales out of the New York banks, and shipping it abroad to meet these bills as they made their appearance there. The bills, however, got to Paris before the coin, came back protested, and the great bubble, ~~was~~ finally pricked. But of this hereafter. Certainly the condition of the New York banks at that time, as stat-

istics which have since made their appearance show, discloses no reason why they should have suspended in the year 1837 that would not have compelled their suspension in previous years. In the year 1837 they had a circulation of \$3.70 to every dollar of coin in their vaults. In the year 1834, the proportion of circulation was \$7 to \$1 of coin in their vaults; and in the year 1836 it was as \$3.39 to \$1. (See finance report for 1876, p. 212.)

Mr. Bagehot, in his interesting work on Lombard Street, has shown that the Bank of England is often in a much less sound condition, without suspending specie payments, than the New York banks were in 1837. During the period of suspension there was no scarcity of coin in the country. In every city, town and village the placards of brokers were hung out, advertising that they would cash bank notes. The only question with the holder was whether he would submit to the necessary shave. The notes of the sound banks suffered the smallest shave, those of the less sound larger, growing in this proportion until some would bring nothing. The brokers, of course, sold their notes then to the banks, the profit being divided between the banks and the brokers.

Of course great derangement of the business of the country followed the suspension of specie payments. The banks all agreed amongst themselves to take each other's notes, which made them at once the currency



of the country. Many of the banks were sound, and were indignant at being driven into the general suspension; but the current was too strong for them to attempt individually to resist it, and they were swept along with it. All the wild-cat, lamp-black-and-rag banks, rotten to the core, hailed the suspension of specie payments as their salvation. The Spanish proverb says: "*De noche todas los gatos son pardos*"—in the night the cats are all of one color—and when these were at liberty to pay their debts with paper, being also at liberty to manufacture as much of this as they could buy lamp-black and rags for, they were as good as the best.

Within three months after the suspension, the banks of New York instituted measures for the purpose of bringing about a return to specie payments. They appointed a committee, consisting of Albert Gallatin, George Newbold, and Cornelius W. Lawrence, to correspond with the other banks of the Union, inviting them to a conference in New York on the 27th of November following, to consider the measures necessary for that purpose. All the sound banks in the Union responded favorably to the invitation. But the conference never took place, being defeated by the refusal of the Philadelphia banks, headed and controlled by the Bank of the United States, to take part in it; an institution which had pretended to protest against the suspension, and to have gone into it only because it was dragged

in. The reason given was, that nothing ought to be done until after the adjournment of the extra session of Congress. The extra session adjourned in October, when the New York banks immediately re-issued their call for the 27th of November. It was responded to favorably by all the sound banks except the banks of Philadelphia, all under the power of the Bank of the United States. The New York banks then sent a committee to Philadelphia, to inquire of them when they would resume, and to notify them that if they would not co-operate with them, they, the New York banks, would resume without them. The Philadelphia banks refused all co-operation. This was a disappointment to that part of the public which still believed in the Bank of the United States, and Mr. Biddle felt himself again called upon to explain, which he did in a public letter to Mr. John Quincy Adams, upon whom he usually hung his defences of his rotten institution. The burden of the letter was to prove the entire ability of the institution over which he presided to pay in full and without reserve, but its intention not to do so, on account of its duty to others not able to follow its example, and which might be entirely ruined by a premature effort to do so. He concluded with the following sentence: "*On the whole, the course which in my judgment the banks ought to pursue is simply this: The banks should remain exactly as they are—prepared to resume, but not yet resuming.*" He did not stop there, however, but

in another publication he threatened the New York banks with destruction if they persisted in their attempt. In the latter he said: "Let the banks of the Empire State come up from their Elba, and enjoy their hundred days of resumption! A Waterloo awaits them, and a St. Helena is prepared for them."

The Bank convention was held; it was determined by the New York banks to begin specie payments in May, 1838. They resumed at that time; were followed by the sound banks all over the Union, leaving the great Bank of the United States at the head of the delinquent and rotten banks refusing to resume. Her stock still stood at one hundred and twelve to the share, a premium of twelve dollars. Her friends determined to make one final effort to procure her re-charter by Congress; it was made in due time and failed; but let us not anticipate.

The Bank of the United States could not now hold the position she had taken; the sound banks all over the country were paying out specie, while it remained in default. It therefore affected to put itself at the head of the resumption movement; called a convention of banks, and that convention resolved upon a general resumption in August, 1838. Thus ended this attempt by it to extort from Congress a re-charter.

Resumption by the Bank of the United States was destined to be of but short duration. It was rotten to the core; was tottering to its fall, and the hour of final

dissolution was at hand. On the 1st of January, 1839, it made a report of its affairs to the General Assembly of Pennsylvania, as it was required to do by its charter, in which it showed its assets to be \$66,180,396, and its liabilities aggregated \$33,180,855, all having been duly sworn to. On the 30th of March following, Mr. Biddle resigned his place as President of the Bank, giving as his reason therefor that "*the affairs of the institution were in a state of great prosperity, and no longer needed his services.*" On the 9th of the following October it repudiated its contracts under the name of another suspension of specie payments, again closing its doors against its creditors. On the 1st January, 1840, it made a report to the Legislature, reporting its assets at \$74,603,142; its liabilities at \$36,959,539, and its surplus at \$37,643,603, making its stock worth a premium of \$2,643,603. This report was also duly sworn to. This was all for the presidential election that was to take place in the fall of 1840. Martin Van Buren was the candidate of the Democratic party in that election; General Harrison and John Tyler were the candidates for President and Vice-President of the opposing party, called the Whig party; and such a party no man ever led since Sir John Falstaff was at the head of Mouldy, Shadow, Wart, Feeble and Bull Calf.

Every element to which the demagogue ordinarily appeals was the ally of the Whig party proper in that contest. The Bank of the United States, still possess-

ing great power through its moneyed connections, went into the contest with its most strenuous exertions. Every insolvent man whom the Bank of the United States had ruined; every bankrupt that the fallacious paper system had destroyed; every rotten bank in the Union, and their name was legion, all threw their influences together to elect the nominees of the Whig party. "Coon skins, log cabins and hard cider" were the watchwords of the party. The staple topic in the mouth of every speaker was the ruin that Andrew Jackson's and Martin Van Buren's hard money system had brought on the country; a national bank and paper money were to be the cure. The newspapers in all the trading districts abounded with such advertisements as these: "*The subscriber will pay six dollars a barrel for flour if Harrison is elected, and three if Van Buren is.*" "*The subscriber will pay five dollars a hundred for pork if Harrison is elected, and two and a half if Van Buren is.*" The whole country was put into commotion by travelling parties and public gatherings. The cause was declared to be that of the poor man. Doggerel verses described his misfortunes, and fiddles, drums and fifes spoke them in appropriate music. A system of public gatherings was gotten up which pervaded every State, county and town—which took place by day and by night, the insolvent banks furnishing the campaign funds.

These measures secured the election of Harrison and

Tyler; yet Mr. Van Buren's vote showed that the country had not gone mad, and that the substratum of the people's good sense remained firm. He received the largest vote that had ever been received by any presidential candidate before, and three hundred and sixty-four thousand votes more than he had received four years before, when he beat the same General Harrison fourteen thousand votes, and yet he now received only sixty electoral votes out of two hundred and ninety-four, and ran far behind on the popular vote, General Harrison receiving five hundred and sixty thousand more votes than he received four years before, making nearly a million votes polled at this election over what had been polled at the preceding one. These facts startled the public mind. It was impossible to account for them upon any theory consistent with a fair election. The suspicion took a deep root that the money of the insolvent banks had not been all spent in getting up public meetings.

On the 4th of March, 1841, General Harrison took his seat in the White House. He immediately issued his proclamation calling an extra session of Congress to meet on the 31st of May ensuing. Before that day President Harrison was no more. He died after a sudden illness of only a few days. This event made John Tyler President. And now the Bank of the United States, which considered, and considered with reason, that it had at last triumphed over all its adversaries,

began to tremble, lest the hand of Providence was about to wrest from it the victory that seemed within its grasp. It was true that the leading issue in the campaign had been charter or no charter of a National Bank; but it was recollected that Mr. Tyler, as a Senator from Virginia, had voted against the re-charter in 1832. However, he had voted for the resolution of censure upon General Jackson for removing the deposits, and he had been elected as the candidate of the party upon whose party banners "National Bank" was inscribed. It was remembered that Mr. Madison, though a life-long adversary of a National Bank, though he had many times declared his doubts as to the constitutionality of such a measure, had yet yielded his scruples to the popular demand, and in 1816, as President, had approved of the charter of the Bank of the United States. Mr. Tyler's message to the extra session, the call for which he allowed to stand, contained recommendations which were interpreted by all to mean that he proposed to follow Mr. Madison's course. The same flood which had swept over the country and elected the President had also reversed the state of parties in both houses of Congress. There was a majority in each body prepared to carry out the programme of the Whig party if anything could be agreed on as the programme of that party. The comparative strength in the Senate, however, was very nearly equal; but while the Democrats were firmly united in that body upon their one absorb-

ing issue, opposition to a National Bank and paper money, those Senators who nominally acted as Whigs were greatly divided in their views of public measures, as must always happen in the case of men put into power by a party constituted of the heterogeneous elements that composed the Whig party in 1840. There were a number of individuals seeking to accomplish certain things which a number of their nominal party associates did not wish to see accomplished.

Thus, Mississippi having been more cursed than any other State with lamp-black-and-rags State banks, and having had a more bountiful supply than any other of their paper money, the two Senators from that State held every other public measure subordinated to the necessity for a general bankrupt law. Others came from States that demanded as the most urgent measure the repeal of the law creating the independent Treasury for keeping the government's money. Nothing could be done toward chartering a National Bank without a union of all these elements. Consequently, bills for the three purposes were tied together and made mutually dependent upon each other. Subsequent publication of statistics has shown the explanation of the enthusiasm with which the cause of Harrison and Tyler was supported in Mississippi, and why her Representatives in Congress placed the passage of a bankrupt bill above all other measures, and furnishes a very good key to the whole Whig campaign. The circulation of

its banks in the year 1842 was in the proportion of \$211.00 of bank paper to every dollar of specie in the banks' vaults, and no specie funds. (See Finance Reports for 1876, p. 222.) It would be interesting to know how the circulation stood in the year 1841, but there are no statistics for that year.

The three measures, tied together as one, passed Congress concurrently. The President signed the bankrupt law, and the bill to repeal the independent Treasury; but, to the amazement of the world, vetoed the Bank charter. A clap of thunder from a clear sky could not more have amazed the public, and especially that part of it composed of the Whig party, than this veto. The friends of the Bank, learning that the President was said to be willing to approve of a bill which should not contain certain features to which he especially objected in the bill just vetoed, immediately prepared a bill in conformity with what was understood to be his views, and rushed it through Congress. This bill the President likewise vetoed. President Tyler has received unmeasured censure for this act. Hon. A. H. H. Stuart, a Representative in Congress from Virginia, afterwards Secretary of the Interior under President Fillmore, made a publication in which he stated that the bill, substantially as it passed Congress, was agreed upon between himself and the President, and that he for some time had had the original copy with the President's memoranda upon it, in his own, the

President's, handwriting. (Colonel Benton also states in his work, that he had had that original bill, given to him to be used in preparing his work, and that it was burnt up in 1855, in a conflagration that destroyed his house.) That after the details of the bill were agreed on between them the President instructed him to go to Mr. Webster, the Secretary of State, and get him to prepare the bill in conformity with what was determined on. All the members of his cabinet except Mr. Webster resigned after he had vetoed this bill, each publishing his letter of resignation, in which each stated, and all agreed, that they had been consulted by him upon the subject, and that it had been agreed between them and the President that he would approve of the bill as it was agreed on between himself and Mr. Stuart. The President and his friends of course had their side to the question, in which he was held blameless. But it would be prolonging this article to too great a length to go into a comparative statement of the case on each side, and besides, would be foreign to its aims and purposes.

One more circumstance, which was the result of the Bank's struggles for a re-charter during this extra session, has exerted a powerful influence over the fortunes of the United States, and deserves to be noticed. This was the establishment at that session of the rule in the House of Representatives, limiting speeches to one hour. The Bank's party were in a large majority in the

House, and they also controlled the Senate. The discussions that the Democrats made annoyed and embarrassed them greatly, and this hour-rule was resorted to as a means, together with the previous question, by which the legislation that they desired could be speeded.

Its establishment and enforcement brought great odium upon the Whigs at the time, being looked upon as being in the nature of a gag-law. It operated so successfully in the House that Mr. Clay, who led the Whigs in the Senate, and whose restive spirit could not endure the delay to which the protracted debates in the Senate subjected the bill for a re-charter, determined to introduce it into that body. The Whig Senators agreed in caucus that they would sustain him in bringing it forward. He consequently brought it forward in his most lordly and imperious manner. It met with an opposition, however, that had not been anticipated. The Democratic party had in the Senate at that time some of the first men that have ever lived in the country—men of unsullied character, unquestioned patriotism, and of the largest powers of mind. Amongst others they numbered Mr. Calhoun, Colonel Benton, and Silas Wright. The Democratic Senators, looking upon the proposition as one which trenching upon the constitutional freedom of debate, determined to resist the establishment of the rule in the Senate in every possible way, and to the extremest ends. They had even determined to resist to the point of armed collision and

bloodshed. Mr. Calhoun, in the loftiest style, defied Mr. Clay to attempt to put the rule in force. Other Democratic Senators followed him in the same strain. The prospect of such a contest served only to inspire Mr. Clay. He was made of that sort of stuff which knows not the meaning of fear, and which opposition only stimulates to greater effort. He pressed his motion with all the more of that vehement energy, which no man ever had in the same degree; and for a time it seemed not impossible that the floor of the American Senate was to become the scene of events which had hardly been contemplated to be possible. At the crisis, however, he was seen to falter. At first it could not be understood. No man had ever seen Henry Clay falter before, in the presence of danger. It soon came out. Some of the Whig Senators were not prepared to drive matters to the point to which it seemed they were to go. They notified Mr. Clay that they could not stand by him, and at the pinch of the fight he was thus forced to abandon his aim.

He afterwards attempted to get the previous question adopted, but that being looked upon as equally odious, met with the same opposition, and was abandoned for the same cause. To the firmness and patriotism of the Democratic Senators of that day, the Senate owes it that entire freedom of debate prevails in that body still.

The history of the great Bank of the United States,

and of paper money in America, is now almost written. But little more remains to be said. The day of the Bank's doom had arrived. Goaded by public reproaches, and left alone in a state of suspension by other banks, in January, 1840, she essayed the perilous effort of resumption. No one approached her doors save to demand specie. In twenty days six millions of dollars in coin, accumulated by great effort to operate on the the extra session of Congress, were taken from her. She was forced to close her doors again, but of course with the pretence published to the world that the suspension was only temporary and for the public good. But she never again resumed. In time, the stockholders having become alarmed, appointed a committee of themselves to look into the affairs of the Bank, who found it a shell. The thirty-five millions of capital was all gone, to the last dollar. The seventy-six millions of assets sworn to the month before she suspended for the last time either could not be discovered or were worthless. And now, when the confiding stockholders came to look into the manner in which their trusted officers had dealt with their money; when they came to examine the true inwardness of the affair, strange things made their appearance. The committee of the stockholders, having made a thorough examination of the Bank's affairs, reported, and showed that from the year 1830 to the year 1836, the period when it was making its most desperate struggles for a re-charter, the loans and discount

of the Bank were about doubled, its expenses trebled. Near thirty millions of these loans were not loans upon business paper; they were loans to members of Congress, editors of newspapers, brawling politicians, brokers, jobbers, favorites and connections. They were in most instances made by Mr. Biddle himself, the directory having put everything under the control of the exchange committee, and it having practically put everything under his sole control. The details of the manner in which the Bank's money was squandered to control political power would be sickening, if it did not arouse indignation and wrath. From 1830 to 1836 large sums were always out on loan to members of Congress. One member related to Colonel Benton his experience on applying for a loan. Having borrowed the money from the Bank of the United States as he would have borrowed from any other bank, and with the purpose of returning it, he voted afterwards against the Bank, and felt therefore that he could tell it without shame to himself. He said that he needed \$4,000, and could not get it at home. He went to Philadelphia, to the Bank, inquired for Mr. Biddle, was shown into an ante-room, supplied with newspapers and periodicals, and asked to sit and amuse himself, the president being engaged for the moment. Presently a side door opened; he was ushered into the presence, graciously received, stated his business, was smilingly answered that he could have it, and more if he wished it; that he could leave

his note with the exchange committee and check at once for the proceeds; and if inconvenient to give an endorser before he went home he could do it afterwards, and whoever he said was good would be accepted. And in telling this, the member said he could read "bribery" in his eyes.

Space is wanting to go through the report of the stockholder's committee and show the various ways through which the enormous capital of the Bank was squandered. The report is a most interesting and instructive document, and will repay any one for its perusal. Indictments were found by the grand jury of the county of Philadelphia against Nicholas Biddle, Samuel Jaudon and John Andrews, officers of the Bank, for a conspiracy to defraud the stockholders in the Bank. They were arrested and held to bail for trial. They were released from custody, however, upon a writ of *habeas corpus*, upon some technicality, and were never brought to trial before a jury. And thus miserably ended the great Bank of the United States, an institution that for a generation had swayed the destinies of America, and which was powerful enough to control the Congress of the United States.

The history of paper money from that time to this is briefly told, and is in the memory of many living men. As there existed from that time forward no national institution for making and circulating it, its issues henceforth, until the war of secession, was confined to

State banks, of which there was no scarcity, and which kept the States in which they were located pretty profusely supplied with their notes.

In the year 1846, under Mr. Polk's administration, the independent Treasury was re-established. The government, up to the late war, received coin alone in payment of its dues, and the country financially did well, suffering no drawback whatever, except that which was necessarily incident to the paper issues of the State banks, drawbacks that must flow from any such system of paper money. The war came on, and the government and the national banks flooded the country with their irredeemable paper promises, which of course banished coin, and at this day the people of the United States have become so accustomed to see paper for money, and paper alone, that it has become ground into the popular mind as a sort of cardinal principle of financial faith, notwithstanding the disastrous experiences of the history of the country, notwithstanding the teaching of reason and philosophy, that paper which only purports to be a substitute for, and a representative of money, is and can be actually itself money. *

* The history of the paper currency of the United States, and of the Confederate States during the late war between the sections, presents some interesting facts. It will surprise many persons to know that the debt of the Confederate government was, at the time when it was largest, only about \$1,250,000,000, of which less than \$500,000,000 was currency. (See last report of Confederate Secretary of Treasury.) Now the debt of the United States government when it was largest, was very nearly three thousand millions, of which about one thousand five hundred millions was currency of one sort and another; yet, while the Confederate debt was com-

A few reflections upon this topic may not be out of place here.


By an instinct in man, and by the common consent of mankind, whoever has any more of one commodity than he needs is always willing to exchange that surplus for gold or silver, which, for the sake of convenience, I will call coin. Readiness and willingness to exchange its surplus for coin is common to all mankind, and as to the surplus of all commodities. Some parts of mankind wish to exchange some of their surplus commodities

paratively so small, and its issue of currency was comparatively so small, its currency went to the dogs—depreciated so as to become valueless; while that of the United States government, so vastly more redundant, was always held well in hand, and kept up to some sort of reasonable value. The explanation of this curious phenomenon is the highest tribute that can be paid to Mr. Chase's genius as a statesman and a financier.

While it is true that the Confederate government itself issued no more than five hundred millions of dollars of currency, yet it put no restrictions upon the issue of currency by agencies other than itself; so that each one of the Confederate States issued its treasury notes by the million; every city government issued its notes of hand; every State bank issued its notes; every individual who had any credit issued his notes. Thus the volume of currency in the Confederate States was swelled to many times what it ought properly to have been, and this forced the rapid and destructive depreciation of the currency.

Now, Mr. Chase had studied the history of our government and currency to better advantage than the leaders in the Confederate government. He had learned that precisely the same thing which the Confederate government was allowing to take place in its limits, had destroyed the currency of this country during the Revolutionary War. The currency of the United States depreciated then and became valueless, not on account of the quantity issued by the government of the United States, but because each one of the States also put out its notes by the million; thus swelling the volume of the currency to more than it could bear. The Congress of the United States was therefore careful to avoid the rock upon which our ancestors had split. They laid a tax upon all issues except those of the government or the government agencies, and thus prevented the issue of currency by any other parties. In this way the volume of the currency was always kept well in hand, and its depreciation beyond what was reasonable and to be expected, was prevented

for one thing, and other of their surplus commodities for another thing; but all parts of mankind are willing and wish to exchange their surplus commodities for coin, and coin is the only thing that all parts of mankind wish and are willing to exchange their surplus commodities of all sorts and all kinds at all times for. It must therefore follow that whenever any individual man parts with any surplus commodity that he may have, he will prefer to have coin in exchange for it rather than anything else whatever; for though at the moment when he parts with his commodity he may be in need of no other thing, yet it may happen that in a short time he will be in great need of some other thing, and that other thing may be a surplus commodity with some other man who is unwilling to exchange it for anything other than coin; yet he will certainly exchange it for coin, since all men are willing to exchange their surplus of all commodities, at all times, for coin. Therefore, when any man parts with his surplus of any commodity, if he does not actually exchange it for some other commodity of which he stands in immediate need, he will prefer to have coin for it, rather than to have any other thing. It is true that under systems of paper money men exchange their surplus commodities for that paper money; but, so far as their will is concerned, it is only because they have faith that the promise written upon the face of each piece of paper money to give coin in exchange for it will be fulfilled,



that they voluntarily receive that paper money in exchange for their commodities; and just in proportion as their faith that this promise will be performed becomes diminished, does a disinclination to take this paper money in exchange arise. But whenever they take it, this cardinal fact is to be observed: *paper money is not the thing that they have it in view to get, but coin*, and the paper money is only taken as a substitute for coin, and because they believe that they can, when they desire it, convert that paper money into coin. It must follow, therefore, that any system of paper money which has, issued and afloat, promises to deliver more coin than the issuer has to deliver, must contain within its own bosom the seeds of the disease that is to end its life; and the end of its life must, by a law as certain and as irresistible as that which carries the earth around the sun, be disaster and ruin to those who have allowed themselves to be made its dupes.

When paper money is issued and circulated in excess of the coin which the issuer has to perform the promise written on each piece of it, so long as the public is ignorant of that fact, it circulates freely and without discount. But by degrees information of the true state of affairs filtrates through the mind of the public, this information getting into its mind speedily or slowly, in proportion as the issue is largely or to a small amount in excess; and when that information has thoroughly permeated the public mind, then the disaster which al-

ways follows such over-issues takes place. When the public has come thoroughly to understand that a certain bank has a million of dollars of its notes in circulation, and that it has only three hundred and thirty-three thousand dollars of coin to make that million good with, then each man has learned that the dollar note of that bank which he holds is worth really only thirty-three cents, and will be utterly worthless unless he can be so fortunate as to get to the bank and get his note cashed before the other holders of the notes who have acquired as much information upon the subject as he has, go there and draw out all of the coin. And when this state of facts has come to be generally understood, and in the nature of things it must always, and does always become understood, then what is called "panic," and "suspension of specie payments," takes place. That is, banks and governments are called upon to perform promises which it was manifest they could not perform when they made them, and the trusting and confiding public is bankrupted and ruined.

The part, and the only part, which paper can legitimately have in the currency of any country, is that of a check or a draft; to transfer coin from one person's account to that of another. Its true nature is that of a certificate of deposit; and so long as it is confined to the functions of such a certificate it subserves a useful and almost indispensable purpose. But so soon as it is attempted to enlarge its sphere, and make it perform

the functions of the thing that it is intended to be only a representative of, ruin and disaster must follow the attempt. Used rightly, it is the source of inestimable blessing to mankind ; but abused, like Pyrrhus's elephants, it turns upon the ranks of its friends to destroy them. France understands, and has for many years understood and acted upon these principles. Her currency is exclusively metallic, or of paper that represents the metals, dollar for dollar. In November, 1878, the Bank of France, including its branches, had in its vaults \$400,000,000 of coin and bullion, a sum exceeding its current liabilities, and there is no note in circulation of a denomination less than \$20. The result is that France is supplied with a metallic currency in the greatest abundance for every demand, the lowest estimate of the amount of coin in the country being \$1,300,000,000, the highest \$1,600,000,000. Bank notes have no place in the currency of France, different from that of checks and drafts. Each is used to transfer coin from one account to the other ; both are used as certificates of deposit. The result is the highest possible prosperity to France ; no panics, no suspensions of specie payments, except in the emergency of war that overwhelms the country, to be resumed again as soon as it is over. Every man knows always how he stands. He knows that if he is worth \$10,000 to-day his property will be worth the same to-morrow.

The advocates of paper money all point to the Bank

of England as their model. See, say they, how she stands—

“As some tall cliff that lifts its awful form,
Swells from the vale and midway leaves the storm,
Though round its breast the rolling clouds are spread,
Eternal sunshine settles on its head.”

She has always, say they, a circulation in excess of the coin in her vaults, often far in excess of what those that are called prudent paper money men think safe, and yet she stands always, always prosperous, and England goes on prospering under the system. That Great Britain has prospered heretofore to a marvelous extent, cannot be doubted; how long that prosperity is to continue is a subject now exercising her ablest minds. But I have no difficulty in affirming that her prosperity has been in spite of her system of inflation, and not on account of it. We hear of those whom the system of inflation makes rich there, but the countless thousands that are ruined by it pass unobserved.

When the panic, which all systems of inflation necessarily brings, threatens the Bank of England, the government thrusts its strong arm in between the Bank and its creditors and authorizes a suspension of specie payments. The government holds its creditors off from it until the Bank has righted itself and got into a condition to stand a run. This saves the Bank and it goes on smoothly and beautifully. But Mr. A., who has made

a contract with Mr. B., and who has depended upon the Bank's contract to give him coin on demand, is prevented by the Bank's suspension from having the coin to meet his engagement with Mr. B. Mr. B. demands performance of the contract, and Mr. A. has no strong arm of government to be thrust between himself and B.; consequently A. is ruined. Public attention is fixed upon the steady course with which the Bank rides the storm, while but few notice the failure and bankruptcy of Mr. A. and the others whom the suspension ruins. *Mutatis mutandis*. Byron's apostrophe to the ocean may well be addressed to the Bank of England on these occasions.

—“ Upon the watery plain the wrecks are all thy deed.

The wrecks are not specially heeded until in succeeding years the statistician comes along and tells the mournful tale of the Bank's suspension and the failures and bankruptcies that it caused.

History is said to be philosophy teaching by example; and if this be so, we might reasonably hope that the people of the United States, warned by what their parents have suffered, would be slow to rush upon the rocks upon which those parents have been dashed to pieces. But at this day they seem blind to their experiences. They seem to shut their eyes against all lessons that the past would teach. The legislation at this day upon the statute books of Congress must bring

upon us all the disasters of another period of panic and suspension, unless it is corrected. The national banking law allows any five persons to establish a national bank and issue currency in any amount, upon depositing with the Treasurer at Washington bonds of the United States to secure the circulation. The bank notes may be redeemed with the government legal tenders.

The present act of Congress prohibits the destruction of any of the legal tender notes now in existence, amounting to three hundred and forty-six millions of dollars, and directs the Secretary to re-issue them as fast as they come into the Treasury, by payments to the creditors of the government. The first effect of this free system of banking, the notes redeemable, not in coin, but in government legal tenders, must necessarily be an undue inflation of the currency, as business revives. On the accepted theory of three for one, this greenback alone furnishes a basis for some \$1,100,000,000 of bank notes. The specie in this country of course furnishes the basis of three times its own amount, to be added to this \$1,100,000,000 that the greenback basis will supply ; and as inflation proceeds, there can be no reasonable expectation, that the issue will be held down to three for one. Besides, Congress may at any time increase the amount of legal tenders without limit, to form new bases for currency. This must of necessity give rise to speculative enterprises, which will in turn

add stimulus to the issue of paper money by the banks.

The second effect of forcing the currency to carry three hundred and forty-six millions of legal tenders, whether the business of the country requires that addition to the other paper money or not, with issues, government and bank, of all denominations of notes down to \$1, must be the expulsion of coin from the country. The result will be that when the coin has been driven away, the government will be suddenly called upon for more coin than it can procure, a suspension of specie payments by it will follow, and that at a time when the bank currency will be greatly expanded; the experiences of 1873 will be repeated, and a general bankruptcy and ruin will follow. It may take a longer or a shorter time to bring about this result. Different causes may postpone the catastrophe a number of years. But it must come, as surely as that the catastrophe of 1837 followed the paper system of which it was the sequel.

It is constantly said that there is not specie enough in the world for all nations to conduct their commerce with it. No greater fallacy can take possession of the human mind. Conducting business upon a strictly specie basis does not depend upon the quantity of specie in the country. All that is required is such a quantity as that it may be divided and subdivided into so many pieces that each man may have such a number of pieces as that

he will have one to exchange for each want that he has. After that quantity of specie is in a country, all the rest is but an occasion for expressing prices in a higher denomination of the money nomenclature of the country. If prices be low, which must happen if the supply of specie is short, the man with an hundred dollars is just as rich as the man who has a thousand dollars when specie has increased ten times.

The Constitution of the United States, if administered in what was intended to be its spirit, is ample to protect the people against paper money and to give them the true money, gold and silver. Let the government stop issuing its notes, which the constitution gives it no authority to issue. Let it repeal the law for chartering national banks. It cannot prevent the States from chartering banks, but it can take such measures as will make them harmless. The great curse of State banks is their small notes. They drive all the coin out of the country. When Mr. Pitt, in the year 1797, proposed in parliament to authorize the Bank of England to issue one pound notes, Mr. Burke lay sick at Bath of an illness from which he never recovered. He wrote to Mr. Canning: "Tell Mr. Pitt that if he consents to the issuing of one pound notes, he must never expect to see a guinea again." Let the government then tax these small notes, all State bank notes under \$20 so heavily that the banks cannot afford to issue them. Then let Congress provide by law that whenever any

State bank refuses to pay coin on demand a petition may be filed against it in bankruptcy. These two measures were recommended by Mr. Van Buren in his message to Congress in the year 1837, and if they were adopted they would secure us an abundance of the money of the constitution, and put us beyond panics and suspensions of specie payments.

